



INDIANA UTILITY REGULATORY COMMISSION  
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MEMORANDUM

TO: Commissioners Hardy, Golc, Landis, Server and Ziegner

FROM: Jerry L. Webb, Director of Water/Sewer Division

DATE: March 23, 2007

RE: REVISED Utility Articles for Next Conference

The following Final Articles A, D and I are submitted to each of you to acquaint you with the tariffs eligible for action or acceptance on or after March 28, 2007.

Previously the Utility Articles were distributed; however, revisions have been made to include additional filings on Page 5.

JLW/ld

**"A" Finals**

*The following miscellaneous item(s) will be eligible for final consideration at the next Commission Conference and based upon review by staff members of the Commission, I recommend approval.*

**1. Duke Energy Indiana**

The utility requests approval to provide non-residential customers with a service option that enables customers to have a second electric delivery path referred to as Backup Delivery Point (BDP). The proposed service provides enhanced reliability to customers. It generally takes the form of a tie to another distribution or transmission circuit to provide a redundant source of power to a customer in the event the primary service fails.

Pricing for the BDP service will utilize the unbundled distribution or transmission prices as determined in the company's most recently approved cost of service study, and reflected in the customer's most applicable rate schedule. The customer is also responsible for a connection charge, and any cost for additional facilities that must be constructed in advance of planning estimates. The company determines a charge based upon the number of years any future projects are advanced to accommodate the request for service, the capital cost of the facilities, and the cost of capital as approved in the company's most recent rate proceeding. Any dedicated facilities needed to provide this service are priced under normal excess facilities agreements and arrangements.

The company has existing customers who have Backup Delivery Point without explicit contracts for the service. These customers have been "grandfathered" to the extent that the capacity is available. However, in situations where the capacity is no longer available, the customer will have to agree to a contract and pay for BDP service if they want to continue with their current BDP service. The company will notify all affected customers of the proposed rider and describe how it might affect them in the future.

The tariff sheet affected by this filing is the new sheet:

- Sheet No. 21, pages 1 and 2, Rider 21, Backup Delivery Point Service

**2. Duke Energy Indiana, Inc.**

Duke Energy Indiana seeks approval of a change in its Standard Contract Rider 63, Emission Allowance Adjustment, in accordance with Commission Order in Cause No. 42359, dated May 18, 2004. This Order reaffirmed Duke Energy Indiana's authorization to recover SO<sub>2</sub> and NO<sub>x</sub> emission allowance costs via Standard Contract Rider No. 63. Additionally, in Cause No. 42718, dated May 24, 2006, the Commission approved an amendment to Duke Energy Indiana's Standard Contract Rider 63, authorizing recovery of mercury emissions (Hg) allowance costs.

The proposed emission allowance charge factor is \$0.001161 per kilowatt-hour and is applicable to all retail electric rate schedules for the months of April, May, and June 2007. The proposed factor will be effective upon Commission approval. This factor includes the emission allowance cost variance of (\$1,480,453) from September through November 2006. The reduction in native

load emission allowance expense resulted from gains on sales of native load emission allowances.

The tariff sheet affected by this filing is:

- Standard Contract Rider No. 63

### **3. Indiana Gas Company, Inc. (d/b/a Vectren North)**

The Utility proposes to initiate the Sales Reconciliation Component (SRC) of the Energy Efficiency Rider, consistent with the Commission's Order in Cause Nos. 42943 & 43046.

This Order provided for the adoption of an Energy Efficiency Program devoted to reducing the gas usage of Vectren North<sup>1</sup> customers served under the Residential and General Service rate schedules. This case included the implementation of an Energy Efficiency Rider ("EER") to Vectren North's Gas Tariffs applicable to the Residential and General Service rate classes. The EER consists of two components, an Energy Efficiency Funding Component ("EEFC") and the SRC. The EEFC recovers certain costs resulting from the implementation of the Energy Efficiency programs. The SRC provides Vectren North with an opportunity to recover its fixed costs even if customer usage declines, allowing the utility to encourage conservation without having its own cost recovery impaired.

The Utility's current volumetric rate design recovers costs based on customer usage volumes, which means as volumes decrease, so does the amount of Vectren North's cost recovery. The SRC of the EER breaks the linkage between volumes sold and cost recovery. The SRC recovers the differences for the applicable rate schedules between Actual Margins (monthly margins prior to the EEFC and SRC adjustments for customers served at the time of the calculation) and Commission adjusted margins (monthly margins as approved in the Utility's last general rate case, adjusted to reflect the margin impact from any change in the number of customers from the level reflected in the last rate case for the like month of the test year).

Pursuant to the Order in Cause Nos. 42943 & 43046, effective April 1<sup>st</sup> of each year, Vectren North shall establish and collect (or refund) the SRC rates required to recover (or refund) 85% of the accumulated deferred margin differences over the subsequent 12 month period. Once established, the SRC rates remain in effect for 12 months, subject to adjustment each year for a successive 12 month period. The annual SRC update shall also include a reconciliation to ensure the accumulated deferred margin differences are not over or under recovered as a result of variances between estimated and actual data. The following table illustrates the addition of the SRC which was previously set at \$0.00000/therm for rates 210 and 220/225.

Rate Schedule	(A) Energy Efficiency Funding Component	(B) Proposed Sales Reconciliation Component	(A) + (B) Energy Efficiency Rider
210	\$0.00567/therm	\$0.00155/therm	\$0.00722/therm
220/225	\$0.00567/therm	\$0.00012/therm	\$0.00579/therm

<sup>1</sup> The program also applies to customers of Southern Indiana Gas & Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South")

The following pages of Vectren North's tariff affected by this filing are:

- Sheet No. 2, page 1 of 3 – Tariff Sheet Index
- Sheet No. 38 , pages 1 and 2 of 2– Appendix I – Energy Efficiency Rider

**4. Northern Indiana Public Service Company (Electric)**

NIPSCO is requesting a revision to Rate 836 – Rate For Electric Service Interruptible Industrial Power Service For Air Separation Processes. The rate includes the calculation of an Interruptible Electric Price Index (IEPI) Adjustment. The IEPI states 1) the Customer's Base Charge shall be increased or decreased based on changes in the IEPI, to be determined separately each calendar quarter and 2) the Base Charge, as adjusted for the IEPI, shall not be less than the sum of the Base Cost of Fuel, Fuel Cost Charge, and Variable Operating and Maintenance Cost.

Until now, the IEPI was an index based, in part, on a calculation of similar rate offerings of eight Midwestern utilities, including Commonwealth Edison Company (outside of Chicago) and Illinois Power Company, both in Illinois. Due to recent regulatory activity in Illinois, NIPSCO proposes to exclude the two Illinois utilities from the IEPI index of utilities. The rate design and structures now employed by these two utilities are no longer representative of NIPSCO's Rate 836. Specifically:

The applicable Commonwealth Edison interruptible tariff is no longer offered to customers and a comparable firm tariff does not exist. Commonwealth Edison is now considered an Independent Distribution Company and cannot offer special contracts.

The applicable Illinois Power interruptible tariff does not exist and the applicable firm tariff rate is greater than \$0.09 per kWh, which is a 179 % increase since the previous IEPI filing and is significantly higher per kWh than NIPSCO's firm rate 833.

The utility indicates it has contacted all customers who are affected by this change.

The tariff sheets affected by this filing are:

- First Revised Sheet No. 16.1C – Rate 836, No. 4 of 9 sheets
- Seventy-Second Revised Sheet No. 16.1H – Rate 836, Attachment A, No. 9 of 9 sheets

**"D" Final**

A revision to the purchased power cost tracker for electric utilities has been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for these filings in Commission Order No. 34614 have been met and I recommend approval.

Item No.	Utility Name	Purchased Power Cost Tracker (\$/kWh)	Change (\$/kWh)	Filing No.
1.	Marshall County	0.021707	0.000905	070328D
2.	Northeastern (Other than EDR)	0.021134	0.001025	070328D1
3.	Northeastern (EDR)	0.011353	0.000929	070328D2
4.	Troy Municipal	0.044420	0.006770	070328D3

The change in Marshall and Northeastern's rates is due to a change in the rates of Wabash Valley Power Association's rates.

The change in Troy's rates is due to a change in the rates of Hoosier Energy Rural Electric Cooperative Inc.

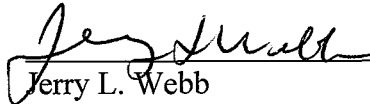
**"I" Final**

A revision to the tracking costs from the Indiana Municipal Power Agency members has been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for these filings in Commission Order No. 36835-S1 approved January 11, 1983, and/or Order No. 36835-S2 approved May 2, 1984, and 36835-S3 approved December 13, 1989, have been met and I recommend approval.

Item No.	Utility Name	Rate Schedule	\$/kWh Change	\$/kWh Resultant	Filing No.
1.	Columbia City	R	0.005660	0.015358	53
		RH	0.000455	0.013801	
		GS	0.004152	0.013904	
		GS-H	0.000430	0.015181	
		M	0.003914	0.015815	
		GS-L	0.001850	0.012706	
		GS-I	0.002150	0.011577	
2.	Knightstown	All	*	0.009716	1
3.	Richmond	R	0.003611	0.018219	98
		CL	0.006613	0.030025	
		GP, GEH, EHS	0.003309	0.009029	
		LPS & IS	0.456050	4.092398	/kVA
			0.536927	4.818157	/kW
			0.000218	0.004415	
		OL, M, N	(0.000565)	0.003823	

\* Knightstown Municipal Electric Utility has recently switched from Duke Energy to IMPA. This is the utility's first filing under IMPA and therefore there is no \$/kWh change.

Please indicate your consideration and action of the preceding items on the appropriate lines provided below.

  
Jerry L. Webb  
Director of Water/Sewer Division

\_\_\_\_\_  
I approve of all items as presented above

\_\_\_\_\_  
I approve of all items as presented above except

\_\_\_\_\_  
Not participating in the following items

I, \_\_\_\_\_, Disapprove Items

**No.**

I, \_\_\_\_\_, Wish to Defer Items

**No.**

I hereby certify that the above is a true and correct copy of the action on the articles.

\_\_\_\_\_  
Brenda A. Howe  
Secretary to the Commission